

**MINUTES OF THE
UTAH TAX REVIEW COMMISSION**

Thursday, October 8, 2009 – 1:30 p.m. – Room 445 State Capitol

Members Present:

Mr. M. Keith Prescott, Chair
Mr. Larry Barusch
Mr. Mark K. Buchi
Rep. John Dougall
Ms. Janis A. Dubno
Sen. Brent Goodfellow
Sen. Lyle W. Hillyard
Comm. Bruce Johnson
Mr. Bruce Jones
Rep. Todd E. Kiser
Mr. Dixie Leavitt
Sen. Wayne L. Niederhauser
Mr. Lawrence C. Walters

Members Absent:

Mr. David Crapo, Vice Chair
Ms. Kathleen Howell
Rep. Christine A. Johnson

Staff Present:

Mr. Phillip V. Dean, Policy Analyst
Mr. Leif G. Elder, Policy Analyst
Mr. Bryant R. Howe, Assistant Director
Mr. Robert H. Rees, Associate General Counsel
Ms. Rebecca L. Rockwell, Associate General Counsel
Ms. Phalin L. Flowers, Legislative Secretary

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. TRC Business

Chair Prescott called the meeting to order at 1:35 p.m. He excused Vice Chair Crapo and Ms. Howell from the meeting.

Chair Prescott said that Vice Chair Crapo, Mr. Barusch, and Mr. Jones have been reappointed to serve on the TRC by the governor for a 4-year term. He also welcomed Mr. Walters, who was appointed to replace Dr. Gary Cornia on the TRC.

Mr. Walters introduced himself.

MOTION: Sen. Hillyard moved to approve the minutes of the September 10, 2009 meeting. The motion passed unanimously.

MOTION: Sen. Goodfellow moved to reappoint Mr. Mark Buchi as a member of the Utah Tax Review Commission for a term to expire July 1, 2012. The motion passed unanimously.

MOTION: Sen. Goodfellow moved to reappoint Ms. Kathleen Howell as a member of the Utah Tax Review Commission for a term to expire July 1, 2012. The motion passed unanimously.

Mr. Howe noted that Ms. Angela Oakes Stallings has been reassigned and will no longer provide staff assistance to the TRC. He introduced Mr. Rees as a new staff member for the TRC.

2. State Corporate Franchise and Income Tax - 50% Deduction for Income of a Foreign Operating Company

Ms. Rockwell discussed 2010 General Session draft legislation, "Corporate Franchise and Income Tax Amendments," which was included in the mailing packet.

Mr. Steve Young, Holme Roberts & Owen, said he is in agreement with the language in the draft legislation.

Commissioner Johnson thanked all those involved with the development of the draft legislation. He said that the bill is narrowly focused to prevent abuse of the deduction for foreign operating companies.

MOTION: Mr. Buchi moved to adopt 2010 General Session draft legislation, "Corporate Franchise and Income Tax Amendments," as a TRC bill, with a legislative member of the TRC as the sponsor of the draft legislation. The motion passed with Rep. Dougall voting in opposition.

3. State Corporate Franchise and Income Tax - Apportionment of Business Income

Mr. Howe discussed the letter to the chairs of the Revenue and Taxation Interim Committee regarding apportionment of business income that was emailed to the TRC prior to the meeting.

TRC discussion followed.

Ms. Dubno suggested including a paragraph in the letter regarding the link between a single sales factor and business investment.

Comm. Johnson suggested adding to the letter the effects of a single sales factor on business and the volatility of corporate taxes.

MOTION: Rep. Kiser moved to modify the letter as noted above and forward the letter to the chairs of the Revenue and Taxation Interim Committee. The motion passed unanimously with Sen. Niederhauser absent for the vote.

4. Sales and Use Tax on Food

Mr. Howe distributed and discussed a letter from Rep. Kiser and Sen. Niederhauser with questions on sales tax on food. He also distributed and discussed the minutes of the February 18, 2009 meeting of the TRC.

Mr. Dean gave a presentation titled "Sales Tax on Food."

TRC discussion followed.

Mr. Scott Ideson, Chair, United Way of Salt Lake's Public Policy Committee, spoke in support of reinstating the sales tax on food in conjunction with creation of a state earned income tax credit for low-income individuals.

Mr. Jim Olsen, President, Utah Food Industry Association, spoke in support of the total removal of sales tax on food, but noted that if this is not possible, his second choice would be to leave the existing rate alone. He requested that policymakers decide what they are going to do with sales tax on food policy and leave it that way. He also noted that sales tax on food is a comparatively stable revenue source.

Ms. Dorothy Owen, former TRC member, spoke in favor of retaining the sales tax on food reduction. She said that removing the sales tax on food improves the credibility of government.

Mr. Art Sutherland, Coalition of Religious Communities, Crossroads Urban Center, gave a presentation on sales tax on food. He spoke in opposition to raising the sales tax on food prepared at home. He said that exempting food from sales tax is a more efficient way of alleviating the regressivity of the sales tax.

He indicated that raising the sales tax on food will place an added burden on many of Utah's most disadvantaged citizens.

Ms. Allison Rowland, Director of Research and Budget, Voices for Utah Children, distributed and discussed "Issues Related to Reinstating the Full Sales Tax on Groceries" and "The Case for Balance in 2011: New Revenue is Preferable to Additional Budget Cuts."

Mr. Royce Van Tassell, Vice President, Utah Taxpayers Association, spoke in support of reinstating the sales tax on food in a revenue-neutral manner. He also spoke in support of an income tax credit for low-income individuals and said that good tax policy avoids regressive taxes.

Rep. Kay McIlff responded to the questions posed in the letter from the chairs of the Revenue and Taxation Interim Committee.

Ms. Suzanne Boshard, citizen, spoke in support of removing the sales tax on food.

The Chair directed the Sales and Use Tax Working Group to reconvene and provide a recommended response at the next TRC meeting. The members of the Sales and Use Tax Working Group are Mr. Buchi, Ms. Dubno, Rep. Dougall, Comm. Johnson, Sen. Niederhauser, and Mr. Walters.

5. Update on Utah's Participation in the Streamlined Sales Tax Project - R. Bruce Johnson, Utah State Tax Commission

Due to lack of time, this item was not discussed.

6. Other Items / Adjourn

MOTION: Rep. Dougall moved to adjourn the meeting. The motion passed unanimously with Sen. Hillyard and Sen. Niederhauser absent for the vote.

Chair Prescott adjourned the meeting at 4:59 p.m.